



# Renewal Community

## Commercial Revitalization Deduction



# ***Taxpayer can elect to deduct:***

✓ **50% of qualified expenses in the year the building is placed in service, or**

✓ **100% of qualified expenses over 10 years**



# *Qualified Project*



- **Must be located in the Renewal Community**
- **Owner/user of project does not have to be a Renewal Community business**
- **Must be commercial project, not residential rental project**
- **Must be new construction or substantial rehabilitation**
- **Must receive allocation from the State. The Los Angeles RC receives a \$12 million allocation each year.**
- **For mixed-use projects, the commercial component must provide at least 20% of gross revenues**

# ***Qualified Revitalization Expenditures***



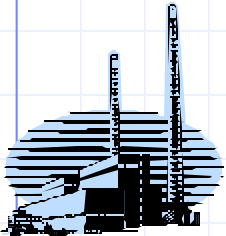
**Maximum \$10 million per project**

**If rehab, building acquisition costs  
allowed only to extent of 30% of**

**Costs  
Must be capital expenditures  
subject to depreciation**

**If project involves multiple  
buildings, an allocation can be  
made for each building**

# *Large Projects*



**Eligible expenses beyond those granted an allocation must be depreciated over the standard 39 year period.**

**In most cases, projects will be selected for allocation on a competitive basis.**

**A single large project may be awarded only a partial allocation at the City's discretion.**

# City Fare Catering



- Awarded a CRD allocation in 2002
- Acquired and rehabilitated an abandoned manufacturing plant at 749 W. Venice Boulevard
- Employed 19 workers, three of whom lived in the RC (eligible for tax credit)
- Received an allocation of \$207,740!

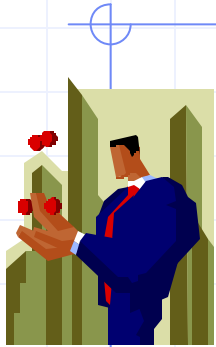
# ***Prohibited Projects***



**In keeping with City policies, the following project types will not normally be eligible for CRD allocation, but exceptions may be granted:**

- **Adults only businesses**
- **Stores whose primary merchandise is alcoholic beverages for off-site consumption**
- **Bars or dance halls**

# ***Binding Commitments and Carryover***



**Binding commitments can be made to award allocations for projects scheduled to be placed in service in future years.**

**Carryover allocation can be made to a qualified project placed in service not later than 2 years following the allocation year.**

**For carryover allocations, the taxpayer's basis in the project is at least 10% of the taxpayer's reasonably expected basis at the end of the carryover period.**

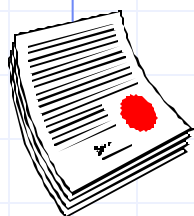




# ***Application Process***



**Applications filed through the  
Community Development Department  
(CDD)**



**CDD Staff will assist taxpayers with  
the application requirements**








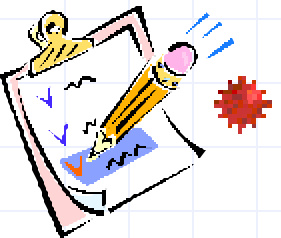
**CDD makes recommendations on each  
project to the California Tax Credit  
Allocation Committee**

# ***City Requirements***



**No fee imposed by the City of Los Angeles**  
**Applications are judged on a competitive basis**  
**Selection criteria include:**

-  **Number of RC residents hired or planned for hire**
-  **Number of jobs created**
-  **Type of business or building use – community benefit**
-  **Willingness to work with the City to further the goals of the RC**
-  **Financial viability of the project**



# **CRD Fees**

**The following fees are imposed by the State for each application:**

- Application fee of \$300
- Reservation fee of \$500 due within 20 days after the Committee awards the allocation (may be waived for allocations less than \$50,000)
- Allocation fee equal to .25% of the amount of CRD awarded
- For carryover allocations, an additional carryover fee of the greater of \$500.00 or .1% of the allocation awarded, payable at the time the project is placed in service